

CITY OF WAPHETON

Independent Auditor's Report
Financial Statements,
Supplemental Information
And Findings

JUNE 30, 2004

DAVID A. MASKE
Certified Public Accountant
Spencer, Iowa

CITY OF WAHPETON

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2
Management's Discussion and Analysis		3-5
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	6
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	7
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	8
Notes to Financial Statements		9-12
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		13
Notes to Required Supplementary Information – Budgetary Reporting		14
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Indebtedness	1	15
Bond and Note Maturities	2	16
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	3	17
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		18-19
Schedule of Findings		20

CITY OF WAHPETON

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January, 2004)		
E. Michael McDonough	Mayor	December 31, 2003
Brad Jones	Council Member	December 31, 2003
Phil Johnson	Council Member	December 31, 2005
Wayne Johnson	Council Member	December 31, 2005
Jim Manzer	Council Member	December 31, 2003
James Keck	Council Member	December 21, 2005
Betty Petersen	City Clerk	December 31, 2003
Michael Chozen	City Attorney	
(After January, 2004)		
E. Michael McDonough	Mayor	December 31, 2005
Brad Jones	Council Member	December 31, 2007
Phil Johnson (resigned)	Council Member	
Tom Rierson (appointed)	Council Member	December 31, 2005
Wayne Johnson	Council Member	December 31, 2005
Jim Manzer	Council Member	December 31, 2007
James Keck	Council Member	December 21, 2005
Betty Petersen	City Clerk	December 31, 2005
Don Hemphill	City Attorney	

DAVID A. MASKE

Certified Public Accountant

110 West 4th Street STE 205
P.O. Box 1297
Spencer, IA 51301

712/262-6087
(fax) 712/262-6089
maskecpa@ncn.net

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Wahpeton
Wahpeton, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wahpeton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as described in the following paragraph, I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wahpeton, as of June 30, 2004 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 8 during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my reports dated August 10, 2005 on my consideration of the City of Wahpeton's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and 13 are not required parts of the basic financial statements, but are supplementary information required by the governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Wahpeton's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

DAVID A. MASKE CPA

DAVID A. MASKE
Certified Public Accountant

August 10, 2005
Spencer, Iowa

City of Wahpeton
Management's Discussion and Analysis
For the Year Ended June 30, 2004

The City of Wahpeton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City-wide activities increased 17.0%, or approximately \$294,534 from fiscal 2003 to fiscal 2004.
- Disbursements increased 25.3%, or approximately \$420,900 in fiscal 2004 from fiscal 2003.
- The City's total cash basis net assets decreased 10.4%, or approximately \$54,300 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Financial Statement consists of a Statement of Receipts, Disbursements and Cash Balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Receipts, Disbursements and Changes in Cash Balances reports information which helps answer this question.

The Statement of Receipts, Disbursements and Changes in Cash Balances presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains one Enterprise Fund to provide separate information for the Water Fund, considered to be a major fund of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$219,626 to \$284,680. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended</u> <u>June 30, 2004</u>
Receipts and transfers:	
General Receipts	
Property tax.....	\$ 210,071
Special assessments	412
Tax increment financing collections	1,389
Local option sales tax	67,579
Hotel - motel tax.....	32,847
Intergovernmental	39,519
Use of money and property	6,362
Licenses and permits	11,489
Other general receipts	22,300
Charges for services	51,916
Net transfers	(1,389)
Total receipts and transfers	<u>\$ 442,495</u>
Disbursements:	
Public safety	\$ 59,236
Public works	173,034
Health and social services	17,500
Culture and recreation.....	37,861
Community and economic development	30,262
General government	59,548
Total disbursements	<u>\$ 377,441</u>
Increase in cash basis net assets	\$ 65,054
Cash basis net assets beginning of year	<u>219,626</u>
Cash basis net assets end of year	<u>\$ 284,680</u>

Changes in Cash Basis Net Assets of Business Type Activities

Receipts:

Operating receipts:

Water	\$ 215,560
Note proceeds	1,369,773
Net transfers in	<u>1,389</u>
Total	<u>\$ 1,586,722</u>

Disbursements:

Operating disbursements:

Water	\$ 202,368
Capital outlay.....	<u>1,503,715</u>
Total	<u>\$ 1,706,083</u>

Net change in cash balance \$ (119,361)

Cash basis net assets beginning of year 301,697

Cash basis net assets end of year \$ 182,336

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wahpeton completed the year, its governmental funds reported a combined fund balance of \$284,680, an increase of \$65,054 over last year's total of \$219,626. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$89,575 from the prior year to \$283,279.
- The Road Use Tax Fund cash balance decreased by \$24,521 to \$1,401 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$119,361 to \$182,336.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2004 the City had the following outstanding debt:

Water Revenue Notes	<u>\$ 1,385,133</u>
---------------------	---------------------

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betty Petersen, City Clerk, Wahpeton, Iowa.

BASIC FINANCIAL STATEMENTS

City of Wahpeton
Statement of Activities and Net Assets - Cash Basis
For the year ended June 30, 2004

Exhibit A

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:						
Governmental activities:						
Public safety	\$ 59,236	\$ -0-	\$ 400	\$ (58,836)	\$ -0-	\$ (58,836)
Public works	173,034	51,916	38,479	(82,639)	-0-	(82,639)
Health and social services	17,500	-0-	-0-	(17,500)	-0-	(17,500)
Culture and recreation	37,861	-0-	-0-	(37,861)	-0-	(37,861)
Community and economic development	30,262	-0-	-0-	(30,262)	-0-	(30,262)
General government	59,548	-0-	-0-	(59,548)	-0-	(59,548)
Total governmental activities	<u>\$ 377,441</u>	<u>\$ 51,916</u>	<u>\$ 38,879</u>	<u>\$ (286,646)</u>	<u>\$ -0-</u>	<u>\$ (286,646)</u>
Business type activities						
Water	<u>\$ 1,706,083</u>	<u>\$ 215,560</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (1,490,523)</u>	<u>\$ (1,490,523)</u>
Total	<u>\$ 2,083,524</u>	<u>\$ 267,476</u>	<u>\$ 38,879</u>	<u>\$ (286,646)</u>	<u>\$ (1,490,523)</u>	<u>\$ (1,777,169)</u>
General Receipts:						
Property tax levied for:						
General purposes				\$ 210,071	\$ -0-	\$ 210,071
Tax increment financing				1,389	-0-	1,389
Local option sales tax				67,579	-0-	67,579
Hotel-motel tax				32,847	-0-	32,847
Grants and contributions not restricted to specific purpose				7,309	-0-	7,309
Unrestricted interest on investments				5,861	-0-	5,861
Bond proceeds				-0-	1,369,773	1,369,773
Special Assessments				412	-0-	412
Miscellaneous				27,621	-0-	27,621
Transfers				(1,389)	1,389	-0-
Total general receipts and transfers				<u>\$ 351,700</u>	<u>\$ 1,371,162</u>	<u>\$ 1,722,862</u>
Change in cash basis net assets				\$ 65,054	\$ (119,361)	\$ (54,307)
Cash basis net assets beginning of year				<u>219,626</u>	<u>301,697</u>	<u>521,323</u>
Cash basis net assets end of year				<u>\$ 284,680</u>	<u>\$ 182,336</u>	<u>\$ 467,016</u>
Cash Basis Net Assets						
Total unrestricted cash basis net assets				<u>\$ 284,680</u>	<u>\$ 182,336</u>	<u>\$ 467,016</u>

City of Wahpeton
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
For the year ended June 30, 2004

	General	Special revenue			Debt Service	Total
		Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax		
Receipts:						
Property tax	\$ 210,071	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 210,071
Tax increment financing collections	-0-	-0-	1,389	-0-	-0-	1,389
Other city tax	40,973	-0-	-0-	67,579	-0-	108,552
Licenses and permits	11,489	-0-	-0-	-0-	-0-	11,489
Use of money and property	6,362	-0-	-0-	-0-	-0-	6,362
Intergovernmental	1,040	38,479	-0-	-0-	-0-	39,519
Charges for services	51,916	-0-	-0-	-0-	-0-	51,916
Special assessments	-0-	-0-	-0-	-0-	412	412
Miscellaneous	14,174	-0-	-0-	-0-	-0-	14,174
Total Receipts	\$ 336,025	\$ 38,479	\$ 1,389	\$ 67,579	\$ 412	\$ 443,884
Disbursements:						
Public safety	\$ 59,236	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 59,236
Public works	173,034	-0-	-0-	-0-	-0-	173,034
Health and social services	17,500	-0-	-0-	-0-	-0-	17,500
Culture and recreation	37,861	-0-	-0-	-0-	-0-	37,861
Community and economic development	30,262	-0-	-0-	-0-	-0-	30,262
General government	59,548	-0-	-0-	-0-	-0-	59,548
Total Disbursements	\$ 377,441	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 377,441
Excess (deficiency) of receipts over disbursements	\$ (41,416)	\$ 38,479	\$ 1,389	\$ 67,579	\$ 412	\$ 66,443
Other financing sources (uses)						
Operating transfers in	\$ 130,991	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 130,991
Operating transfers out	-0-	(63,000)	(1,389)	(67,579)	(412)	(132,380)
Total other financing sources (uses)	\$ 130,991	\$ (63,000)	\$ (1,389)	\$ (67,579)	\$ (412)	\$ (1,389)
Net change in cash balances	\$ 89,575	\$ (24,521)	\$ -0-	\$ -0-	\$ -0-	\$ 65,054
Cash balances beginning of year	193,704	25,922	-0-	-0-	-0-	219,626
Cash balances end of year	<u>\$ 283,279</u>	<u>\$ 1,401</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 284,680</u>
Cash Basis Fund Balances						
Unreserved:						
General fund	\$ 283,279	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 283,279
Special revenue fund	-0-	1,401	-0-	-0-	-0-	1,401
Total cash basis fund balances	\$ 283,279	\$ 1,401	\$ -0-	\$ -0-	\$ -0-	\$ 284,680

City of Wahpeton
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Proprietary Funds
For the year ended June 30, 2004

	<u>Water</u>
Operating Receipts:	
Charges for services	\$ 197,467
Sales tax	13,548
Miscellaneous	<u>4,545</u>
Total operating receipts	<u>\$ 215,560</u>
Operating Disbursements:	
Business type activities:	
Operations	\$ 107,423
Distribution	18,820
Administration	62,474
Sales tax	13,651
Capital Outlay	<u>1,503,715</u>
Total operating disbursements	<u>\$ 1,706,083</u>
Excess (deficiency) of operating receipts over operating disbursements	\$ (1,490,523)
Other financing sources (uses)	
Operating transfers in	\$ 1,389
Loan Proceeds	<u>1,369,773</u>
Total other financing sources (uses)	<u>\$ 1,371,162</u>
Net change in cash balances	\$ (119,361)
Cash balances - beginning of year	<u>301,697</u>
Cash balances - end of year	<u>\$ 182,336</u>
Cash Basis Fund Balances	
Unreserved	<u>\$ 182,336</u>

See notes to financial statements

City of Wahpeton

Notes to Financial Statements

June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Wahpeton is a political subdivision of the State of Iowa located in Dickinson County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor/Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Wahpeton has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Wahpeton has no component units.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the sales tax receipts from the State.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

C. Measurement Focus and Basis of Accounting

The City of Wahpeton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 - DEPOSITS AND POOLED INVESTMENTS:

The City's deposits at June 30, 2004 were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered openend management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2004; however the City's time deposits were as follows:

Certificates of Deposit	\$ <u>107,465</u>
-------------------------	-------------------

NOTE 3 - BONDS AND NOTES PAYABLE:

At June 30, 2004 the City had outstanding water revenue notes of \$1,385,133 to fund a water improvement project. That project was completed in the year ended June 30, 2005, with a final total note draw of \$1,513,000 on an approved note of \$1,536,000. The loan bears interest at 3% and is due in annual payments through 2024.

<u>YEAR ENDING JUNE 30</u>	<u>WATER REVENUE BOND</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>
2005	\$ 80,000	\$ 42,445
2006	58,000	43,680
2007	60,000	41,940
2008	62,000	40,140
2009	63,000	38,280
2010	65,000	36,390
2011	67,000	34,440
2012	69,000	32,430
2013	71,000	30,360
2014	73,000	28,230
2015	76,000	26,040
2016	78,000	23,760
2017	80,000	21,420
2018	83,000	19,020
2019	85,000	16,530
2020	88,000	13,980
2021	90,000	11,340
2022	93,000	8,640
2023	96,000	5,850
2024	99,000	2,970
Total	<u>\$ 1,536,000</u>	<u>\$ 517,885</u>

NOTE 4 - PENSION AND RETIREMENT BENEFITS:

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2004 was \$5,374, equal to the required contributions for the year.

NOTE 5 - COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Comp. Time	\$ <u>299</u>

This liability has been computed based on rates of pay as of June 30, 2004.

As sick leave is not payable upon termination, retirement or death, the minimum accumulated sick leave is not presented as part of these financial statements.

NOTE 6 - RISK MANAGEMENT:

The City of Wahpeton is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Amount</u>
Proprietary	Special Revenue Tax Increment	\$ <u>1,389</u>
General	Debt Service	\$ <u>412</u>
General	Local Option Sales Tax	\$ <u>67,579</u>
General	Special Revenue Road Use Tax	\$ <u>63,000</u>

NOTE 8 – ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a governmentwide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities

REQUIRED SUPPLEMENTARY INFORMATION

City of Wahpeton
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis)- All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 210,071	\$ -0-	\$ -0-	\$ 210,071	\$ 209,676	\$ 209,676	\$ 395
Tax increment financing collections	1,389	-0-	-0-	1,389	11,750	13,139	(11,750)
Other city tax	108,552	-0-	-0-	108,552	93,824	99,007	9,545
Licenses and permits	11,489	-0-	-0-	11,489	4,550	10,475	1,014
Use of money and property	6,362	-0-	-0-	6,362	4,500	4,500	1,862
Intergovernmental	39,519	-0-	-0-	39,519	60,579	60,579	(21,060)
Charges for service	51,916	215,560	-0-	267,476	255,648	255,648	11,828
Special assessments	412	-0-	-0-	412	1,000	1,000	(588)
Miscellaneous	14,174	-0-	-0-	14,174	6,550	13,079	1,095
	<u>\$ 443,884</u>	<u>\$ 215,560</u>	<u>\$ -0-</u>	<u>\$ 659,444</u>	<u>\$ 648,077</u>	<u>\$ 667,103</u>	<u>\$ (7,659)</u>
Disbursements:							
Public safety	\$ 59,236	\$ -0-	\$ -0-	\$ 59,236	\$ 45,177	\$ 59,321	\$ 85
Public works	173,034	-0-	-0-	173,034	143,963	191,311	18,277
Health and social services	17,500	-0-	-0-	17,500	17,500	17,500	-0-
Culture and recreation	37,861	-0-	-0-	37,861	38,525	70,760	32,899
Community and economic development	30,262	-0-	-0-	30,262	35,427	35,427	5,165
General government	59,548	-0-	-0-	59,548	71,137	71,137	11,589
Business type activities	-0-	1,706,083	-0-	1,706,083	1,605,176	1,725,176	19,093
Total disbursements	<u>\$ 377,441</u>	<u>\$ 1,706,083</u>	<u>\$ -0-</u>	<u>\$ 2,083,524</u>	<u>\$ 1,956,905</u>	<u>\$ 2,170,632</u>	<u>\$ 87,108</u>
Excess (deficiency) of receipts over disbursements	\$ 66,443	\$ (1,490,523)	\$ -0-	\$ (1,424,080)	\$ (1,308,828)	\$ (1,503,529)	\$ 79,449
Other financing sources, net	<u>(1,389)</u>	<u>1,371,162</u>	<u>-0-</u>	<u>1,369,773</u>	<u>1,421,000</u>	<u>1,428,250</u>	<u>(58,477)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	\$ 65,054	\$ (119,361)	\$ -0-	\$ (54,307)	\$ 112,172	\$ (75,279)	\$ 20,972
Balances beginning of year	<u>219,626</u>	<u>301,697</u>	<u>-0-</u>	<u>521,323</u>	<u>308,111</u>	<u>308,111</u>	<u>213,212</u>
Balances end of year	<u>\$ 284,680</u>	<u>\$ 182,336</u>	<u>\$ -0-</u>	<u>\$ 467,016</u>	<u>\$ 420,283</u>	<u>\$ 232,832</u>	<u>\$ 234,187</u>

See accompanying independent auditor's report

City of Wahpeton

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$213,727. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

City of Wahpeton
Schedule of Indebtedness
For the year ended June 30, 2004

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED	BALANCE BEGINNING OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
Revenue Notes: Water	11/07/2003	3.0%	<u>\$ 1,536,000</u>	<u>\$ -0-</u>	<u>\$ 1,385,133</u>	<u>\$ -0-</u>	<u>\$ 1,385,133</u>	<u>\$ 9,124</u>	<u>\$ -0-</u>

See accompanying independent auditors report.

City of WahpetonBond and Note and Maturities
June 30, 2004

<u>YEAR</u> <u>ENDING</u> <u>JUNE 30</u>	<u>WATER REVENUE</u> <u>BOND</u>	
	<u>INTEREST</u> <u>RATE</u>	<u>AMOUNT</u>
2005	3.0	\$ 80,000
2006	3.0	58,000
2007	3.0	60,000
2008	3.0	62,000
2009	3.0	63,000
2010	3.0	65,000
2011	3.0	67,000
2012	3.0	69,000
2013	3.0	71,000
2014	3.0	73,000
2015	3.0	76,000
2016	3.0	78,000
2017	3.0	80,000
2018	3.0	83,000
2019	3.0	85,000
2020	3.0	88,000
2021	3.0	90,000
2022	3.0	93,000
2023	3.0	96,000
2024	3.0	99,000
Total		<u>\$ 1,536,000</u>

City of WahpetonSchedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the year ended June 30, 2004

Receipts:

Property tax	\$ 210,071
Tax increment financing collections	1,389
Other city tax	108,552
Licenses and permits	11,489
Use of money and property	6,362
Intergovernmental	39,519
Charges for services	51,916
Special assessments	412
Miscellaneous.....	<u>14,174</u>
Total	<u>\$ 443,884</u>

Disbursements:

Public safety	\$ 59,236
Public works	173,034
Health and social services	17,500
Culture and recreation.....	37,861
Community and economic development.....	30,262
General government	<u>59,548</u>
Total	<u>\$ 377,441</u>

See accompanying independent auditor's report.

DAVID A. MASKE

Certified Public Accountant

110 West 4th Street Suite # 205
P.O. Box 1297
Spencer, IA 51301

712/262-6087
(fax) 712/262-6089
maskecpa@ncn.net

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and
Members of the City Council
City of Wahpeton
Wahpeton, Iowa

I have audited the financial statements of the City of Wahpeton, Iowa, as of and for the year ended June 30, 2004, and have issued my report thereon dated August 10, 2005. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Wahpeton's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

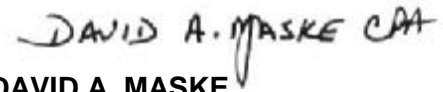
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Wahpeton's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Wahpeton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 04-I-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Wahpeton and other parties whom the City of Wahpeton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Wahpeton during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in dark ink that reads "DAVID A. MASKE CPA". The signature is written in a cursive, slightly slanted style.

DAVID A. MASKE
Certified Public Accountant

August 10, 2005

City of Wahpeton

Schedule of Findings
For the year ended June 30, 2004

PART I - FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response accepted.

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

04-II-A Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

04-II-C Questionable Disbursements – I noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

04-II-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

04-II-E Business Transactions - There were no business transactions between the City and City officials or employees noted.

04-II-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

04-II-G Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

04-II-H Revenue Notes - The City was in compliance with its revenue note restrictions.

04-II-I Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.